



**Fiscal Estimate Narratives**  
**DOR 4/9/2008**

LRB Number <b>07-4003/1</b>	Introduction Number <b>SB-569</b>	Estimate Type <b>Original</b>
<b>Description</b> An income and franchise tax exemption for income derived from manufacturing		

**Assumptions Used in Arriving at Fiscal Estimate**

This bill exempts income derived from manufacturing, as defined in s. 70.955, from the income and franchise tax.

It is unclear whether the intent of the bill is to exempt gross income derived from manufacturing or to exempt income net of deductions, where both the income and deductions are derived from manufacturing. Based on simulations using the tax year 2003 tax model for corporations with a SIC or NAICs code that identifies the taxpayer as a manufacturer, and applying current law single-sales factor apportionment and inflating the dollars based on the increase in corporate tax collections from FY 2004 through FY 2010 (estimated), and assuming that the intent of the bill is to exempt the gross income derived from manufacturing, the bill would result in an estimated annual loss of revenue of \$55.4 million. If it is assumed that the bill exempts net income derived from manufacturing, the bill would result in an estimated annual revenue loss of \$44.1 million.

The fiscal effect could be higher to the extent that taxpayers would be eligible to claim a partial exemption for activities that meet the criteria in s. 70.955, even if their principal activity is not manufacturing and as such do not use a SIC or NAICs code in the manufacturing series on their tax return.

**Long-Range Fiscal Implications**

## Fiscal Estimate Worksheet - 2007 Session

Detailed Estimate of Annual Fiscal Effect

Original     
  Updated     
  Corrected     
  Supplemental

<b>LRB Number</b> 07-4003/1		<b>Introduction Number</b> SB-569	
<b>Description</b> An income and franchise tax exemption for income derived from manufacturing			
<b>I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):</b>			
<b>II. Annualized Costs:</b>		<b>Annualized Fiscal Impact on funds from:</b>	
		Increased Costs	Decreased Costs
<b>A. State Costs by Category</b>			
	State Operations - Salaries and Fringes	\$	\$
	(FTE Position Changes)		
	State Operations - Other Costs		
	Local Assistance		
	Aids to Individuals or Organizations		
	<b>TOTAL State Costs by Category</b>	<b>\$</b>	<b>\$</b>
<b>B. State Costs by Source of Funds</b>			
	GPR		
	FED		
	PRO/PRS		
	SEG/SEG-S		
<b>III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, ets.)</b>			
		Increased Rev	Decreased Rev
	GPR Taxes	\$	\$
	GPR Earned		
	FED		
	PRO/PRS		
	SEG/SEG-S		
	<b>TOTAL State Revenues</b>	<b>\$</b>	<b>\$</b>
<b>NET ANNUALIZED FISCAL IMPACT</b>			
		State	Local
	NET CHANGE IN COSTS	\$	\$
	NET CHANGE IN REVENUE	\$See Text	\$
<b>Agency/Prepared By</b>			
DOR/ Michael Oakleaf (608) 261-5173		<b>Authorized Signature</b>	<b>Date</b>
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